DOCUMENT RESUME

ED 431 475 JC 990 400

TITLE	Some Thoughts on State Aid for Community Colleges of Arizona.
INSTITUTION	Arizona State Board of Directors for Community Colleges, Phoenix.
PUB DATE	1999-00-00
NOTE	17p.
PUB TYPE	Reports - Descriptive (141)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	*Community Colleges; *Educational Finance; Financial Needs; *Financial Policy; Financial Support; *State Aid; Statewide Planning; Two Year Colleges
IDENTIFIERS	*Arizona Community Colleges

ABSTRACT

This document proposes a model for operating state aid that provides a more equitable and rational system of state aid appropriations that would primarily benefit rural and low socioeconomic area community colleges. Operating state aid is appropriated on the basis of a statutory formula that uses the previous year's appropriation and growth in enrollment. The model is based on the following assumptions: (1) the state has an interest in the viability of its community colleges; (2) the distribution of state aid among the districts should be equitable and rational; (3) the amount of state aid a district receives should be a function of the amount of service rendered; (4) the urban districts enjoy an economy of scale that may justify a lower level of state aid per full-time student; and (5) differences in state aid should be discussed in the context of equalization aid. The report presents the available operating state aid for the 8 rural and 2 urban community college districts in Arizona for 1994-95, revealing that the rural community colleges received 26.0% of their general fund income from operating state aid, while urban community colleges received 18.4%. Using this difference, a model for state aid that allocates urban districts 80% of the operating state aid per full-time student equivalent that is allocated for urban districts is built. The results of the application of this model are presented in tabular form. (CAK)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 431 475

Some Thoughts on State Aid for Community Colleges of Arizona

State Board of Directors for Community Colleges of Arizona
3225 North Central Avenue, Suite 1220
Phoenix, Arizona 85012-2411
Phone: (602) 255-4037, FAX: (602) 279-3464

Executive Director's Concept Paper
June 1996

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
X This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

PERMISSION TO REPRODUCE AND DISSEMINATE THIS MATERIAL HAS BEEN GRANTED BY
D. Puyear
TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

JC 990 400

BEST COPY AVAILABLE

State Board of Directors for Community Colleges of Arizona

Some Thoughts on State Aid for Community Colleges of Arizona

Introduction

The operation of Arizona community colleges is supported by a variety of funding sources including (1) operating state aid (A.R.S. § 15C1466), (2) capital outlay state aid (A.R.S. § 15C1464), (3) equalization state aid (A.R.S. § 15C1468), (4) local property taxes (A.R.S. § 15C1462), and (5) student tuition and fees (A.R.S. § 15C1425.5). In addition, community colleges may receive funds from grants, contracts and other governmental and non-governmental support.

There are a number of aspects of funding of Arizona's community colleges that need attention. However this discussion is limited to operating state aid. Addressing operating state aid alone may allow a more direct approach and greater focus on the issue.

Other funding topics that should be addressed in due course include capital outlay state aid, equalization state aid based on the disparity in property wealth available to support the districts, and local levy limit

Assumptions

The following assumptions underlie this discussion.

The State has an interest in the viability of its community colleges. State aid is, therefore, an investment in a State resource.

The distribution of state aid among the districts should be equitable and rational.

The amount of state aid for a given district should be a function of the amount of service rendered by the district. Enrollment measured by the number of full-time equivalent students (FTSE) is a readily-available but incomplete indicator of service. Since it is the only measure presently recognized in law it will be used in this discussion but a better, more complete, measure of service needs to be developed as a matter of some urgency. When this more complete measure has been developed it should be applied to the rationale discussed below.

The urban districts enjoy an economy of scale that may justify a somewhat lower level of state aid per FTSE. This difference must, however, be rationally developed.

Discussion of differences in state aid on the basis of other resources available to the district (principally property taxes) may more productively be considered in a discussion of equalization aid, since the rationale of such differences are associated with the concept of making the standard of living enjoyed by the colleges more nearly equal.

Current Level and Distribution of State Aid

The level and distribution of state aid along with the general fund income available to each district is displayed in Table 1 on the following page. The rural districts and the urban districts are shown separately and the total resources for each group are summed. This allows us to examine the levels for each group as a whole.

In 1994-95 the rural districts, as a group, served 19,510 FTSE, had general fund income of $110,377,561 ($5,657/FTSE), and operating state aid of $28,747,600 ($1,473/FTSE). Operating state aid was 26.0 % of the general fund income for rural districts.

At the same time, urban districts served 58,593 FTSE, had general fund income of $265,099,197 ($4,524/FTSE), and received operating state aid of $48,726,200 ($832/FTSE). Operating state aid was 18.4 % of the general fund income for urban districts.

In 1994-95 the ratio of urban to rural general fund income per FTSE is $4,524/$5,657 = 0.80. This ratio may be considered an approximation of the economy of scale enjoyed by the urban districts that year. This, or some similar value, is proposed as the appropriate relationship between urban and rural operating state aid per FTSE.

Table 1. Enrollment, Income, and State Aid -- 1994-95

District	FTSE*	General Fund Income** $	General Fund Income** $/FTSE	Operating State Aid*** $	Operating State Aid*** $/FTSE	Operating State Aid as % of Gen. Fund Income
Cochise	3,013	$17,080,721	$5,669	$4,573,100	$1,518	26.8%
Coconino	1,387	$5,405,439	$3,897	$1,584,600	$1,142	29.3%
Graham	2,383	$13,953,975	$5,856	$4,144,400	$1,739	29.7%
Mohave	2,035	$10,861,697	$5,337	$2,784,200	$1,368	25.6%
Navajo	2,162	$10,679,979	$4,940	$3,262,400	$1,509	30.5%
Pinal	3,060	$17,163,926	$5,609	$4,875,800	$1,593	28.4%
Yavapai	2,490	$17,359,367	$6,972	$3,553,500	$1,427	20.5%
Yuma/La Paz	2,980	$17,872,457	$5,997	$3,969,600	$1,332	22.2%
Rural Districts	19,510	$110,377,561	$5,657	$28,747,600	$1,473	26.0%
Maricopa	43,657	$196,218,862	$4,495	$34,116,400	$781	17.4%
Pima	14,936	$68,880,335	$4,612	$14,609,800	$978	21.2%
Urban Districts	58,593	$265,099,197	$4,524	$48,726,200	$832	18.4%
Arizona Community College System	78,103	$375,466,758	$4,807	$77,473,800	$992	20.6%

*Annual Report to the Governor, 1994-1995, Statistical Supplement, p 1, General Enrollment Figures
**Annual Report to the Governor, 1994-1995, Statistical Supplement, p 16, General Fund Income
***Annual Report to the Governor, 1994-1995, Statistical Supplement, p 15, Analysis of State Aid

A Model for Operating State Aid

The basic premise of this proposal is that operating state aid should be uniformly allocated per FTSE to each rural district, and each urban district should receive an allocation of 80% of the same rate per FTSE. This model would support each district alike and the economy of scale of the urban districts would be fully recognized.

Table 2 below demonstrates the effect of applying this model to the 1996-97 appropriations. The base figure is the present aggregate rural district state aid ($1,701/FTSE). Note that the 1994-95 enrollments are the basis for the 1996-97 appropriations. The direct application of the model would result in a reduction in the operating state aid appropriation for four of the rural districts. If these districts were held harmless by maintaining the current 1996-97 appropriation level, the cost of adopting the model would increase $0.915 million.

Table 2. Results of Application of Model to the 1996-97 Appropriations

	1996-97 Appropriations						Using Target Aid Figure			
District	1994-95 FTSE	1996-97 Op State Aid	$ FTSE Op State Aid	$ FTSE	Op State Aid	Difference in Op State Aid	Target $/FTSE	Resulting $/FTSE	Op State Aid	Difference in Op State Aid
Cochise	3,013	$5,028,400	$1,669	$1,701	$5,124,046	$95,646	$1,701	$1,701	$5,124,046	$95,6
Coconino	1,387	$2,411,500	$1,739	$1,701	$2,358,796	($52,704)	$1,701	$1,739	$2,411,500	
Graham	2,383	$4,583,500	$1,923	$1,701	$4,052,639	($530,861)	$1,701	$1,923	$4,583,500	
Mohave	2,035	$3,258,700	$1,601	$1,701	$3,460,814	$202,114	$1,701	$1,701	$3,460,814	
Navajo	2,162	$3,889,300	$1,799	$1,701	$3,676,796	($212,504)	$1,701	$1,799	$3,889,300	
Pinal	3,060	$5,323,200	$1,740	$1,701	$5,203,976	($119,224)	$1,701	$1,740	$5,323,200	
Yavapai	2,490	$4,113,700	$1,652	$1,701	$4,234,608	$120,908	$1,701	$1,701	$4,234,608	$120,9
Yuma/La Paz	2,980	$4,571,300	$1,534	$1,701	$5,067,925	$496,625	$1,701	$1,701	$5,067,925	$496,6
Rural Districts	19,510	$33,179,600	$1,701		$33,179,600	($0)			$34,094,893	$915,2
Maricopa	43,657	$37,523,200	$860	$1,361	$59,396,076	$21,872,876	$1,361	$1,361	$59,396,076	$21,872,8
Pima	14,936	$16,359,800	$1,095	$1,361	$20,320,677	$3,960,877	$1,361	$1,361	$20,320,677	$3,960,8
Urban Districts	58,593	$53,883,000	$920		$79,716,753	$25,833,753			$79,716,753	$25,833,7
Arizona Community College System	78,103	$87,062,600	$1,116		$112,896,353	$25,833,753	$1,445	$1,457	$113,811,645	$26,749,0

BEST COPY AVAILABLE

Application of the Model in the Appropriations Process

The application of this model would require only two changes in the present procedure for calculating the base appropriations:

The base rate ($/FTSE) would be calculated on the aggregate enrollment and previous appropriation for the eight rural community college districts.

The base rate for the two urban community college districts would be set at 80% of the base rate for the rural community colleges.

All other provisions of the current plan would remain in place. Inflation considerations would be applied to the base rate. Enrollment growth or decline would be accommodated in the same manner as it is presently considered.

The plan should be phased in over a relatively short period. Two years is suggested.